

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF BROOKLYN	County JACKSON
Audit Date 6/30/05	Opinion Date 9/21/05	Date Accountant Report Submitted to State: 12/6/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) DOVE & HICKEY, PLC			
Street Address 209 E WASHINGTON AVE SUITE 255	City JACKSON	State MI	ZIP 49201
Accountant Signature <i>Dove & Hickey, P.L.C.</i>		Date <i>12/6/05</i>	

VILLAGE OF BROOKLYN
JACKSON COUNTY - MICHIGAN
FINANCIAL STATEMENTS
Year Ended June 30, 2005

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Dove & Hickey, P.L.C.

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INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Brooklyn
Jackson County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Brooklyn as of and for the year ended June 30, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Brooklyn's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Brooklyn as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



September 21, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

VILLAGE OF BROOKLYN
MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Village of Brooklyn's financial performance provides an overview of the Village's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the Village's financial statements which follow.

Financial Highlights

The following represents the most significant financial highlights for the year ended June 30, 2005:

- Tax revenues, the Village of Brooklyn's largest single revenue source, totaled \$356,045 in all funds this year, representing an increase of 17.8 percent from last fiscal year. This increase is the result of a significant increase in total property valuation and a total tax rate increase of 1.0222 mills. The tax base of the community has increased from \$28.3 million to \$31.2 million (10.2%) as the Village continued to realize considerable residential, and commercial development. In the last 10 years the Village has experienced an average annual increase of 8.3 percent in taxable value.
- State-shared revenue continues its downward trend of the past several years. The Village received \$210,837 in this fiscal year, a reduction of \$2,418, or 1.13 percent, from last year. Further reductions are expected in this income source in the coming year. The Village's proactive response to the decline in state-shared revenue is to closely monitor and continually evaluate revenue trends as well as expenditure trends, especially in the areas of personnel benefit costs, staffing levels and discretionary programming and capital projects, in order to achieve economies of scale, operational efficiencies, cost reductions, and justification for capital expenditures.
- Total long-term debt is \$1,440,000 a reduction of \$75,000, or 5.0 percent, from the pervious year. It should be noted that the Village is facing a \$1.7 million project for water system improvements mandated by the State, to be financed by revenue bonds. The Village will be reviewing its water and sewer rate structures to ensure that use rates maintain acceptable levels of working capital while providing the funding necessary to complete projected capital improvement programs.

Total fund balances for Village funds increased approximately \$29,500 over the previous year and represent cost savings and planned increases to position the Village for start-up costs in coming capital improvements and anticipated debt service needs.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

The Village of Brooklyn as a Whole

The following table shows a condensed format of the net assets as of June 30, 2005 and compared to the prior year.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2005	2004	2005	2004	2005	2004
ASSETS						
Current and Other Assets	\$ 524,544	\$ 501,642	\$ 399,708	\$ 529,663	\$ 924,252	\$ 1,031,305
Non-current - Capital Assets	644,168	629,987	1,851,342	1,843,469	2,495,510	2,473,456
TOTAL ASSETS	1,168,712	1,131,629	2,251,050	2,373,132	3,419,762	3,504,761
LIABILITIES						
Other liabilities	32,324	16,612	127,845	113,686	160,169	130,298
Long-term liabilities	7,200	5,400	1,345,000	1,440,000	1,352,200	1,445,400
TOTAL LIABILITIES	39,524	22,012	1,472,845	1,553,686	1,512,369	1,575,698
NET ASSETS						
Invested in capital assets - Net of related debt	644,168	629,987	449,834	371,062	1,094,002	1,001,049
Unrestricted	485,020	479,630	267,169	359,936	752,189	839,566
Restricted	-0-	-0-	61,202	88,448	61,202	88,448
TOTAL NET ASSETS	\$1,129,188	\$1,109,617	\$ 778,205	\$ 819,446	\$1,907,393	\$1,929,063

The Village's combined net assets for both governmental and business-type activities decreased 1.1 percent from a year ago - decreasing from \$1,929,063 to \$1,907,393. Net assets are further segregated between restricted and unrestricted net assets. Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, increased by approximately \$5,400 for governmental activities and a decrease of approximately \$92,800 for business-type activities. This represents an increase of approximately 1.1 percent for governmental activities and a decrease of approximately 26% for business-type activities. The current level of unrestricted net assets for our governmental activities stands at approximately \$485,000, or about 92.6 percent of expenditures.

The restricted portion of net assets decreased by approximately \$27,000 as a result of the decreased sewer millage for the payment of debt to Jackson County.

The Village of Brooklyn as a Whole (Continued)

The following table shows the change in net assets for the years ended June 30, 2005 and 2004.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTAL	
	2005	2004	2005	2004	2005	2004
REVENUE						
Program revenue:						
Charges for services	\$ 54,341	\$ 45,343	\$ 482,704	\$ 477,083	\$ 537,045	\$ 522,426
Operating grants and contributions	-0-	85	-0-	-0-	-0-	85
Capital grants and contributions	-0-	292,768	-0-	-0-	-0-	292,768
General Revenue:						
Property taxes	267,039	241,425	89,006	60,852	356,045	302,277
State-shared revenues	210,837	213,254	-0-	-0-	210,837	213,254
Interest	4,776	4,421	3,519	4,093	8,295	8,514
Transfers	-0-	(121,065)	-0-	121,065	-0-	-0-
TOTAL REVENUE	536,993	676,231	575,229	663,093	1,112,222	1,339,324
EXPENSES						
General government	200,124	199,404	-0-	-0-	200,124	199,404
Public Safety	41,971	36,065	-0-	-0-	41,971	36,065
Public Works	226,784	174,377	-0-	-0-	226,784	174,377
Community and economic development	19,493	2,264	-0-	-0-	19,493	2,264
Culture and recreation	29,050	29,968	-0-	-0-	29,050	29,968
Water and Sewer	-0-	-0-	616,470	532,404	616,470	532,404
TOTAL EXPENSES	517,422	442,078	616,470	532,404	1,133,892	974,482
CHANGE IN NET ASSETS	\$ 19,571	\$ 234,153	(\$ 41,241)	\$ 130,689	(\$ 21,670)	\$ 364,842

Governmental Activities

Governmental activities are those activities (such as public safety and street improvement and maintenance) provided to the constituents of the Village and supported by financing from property taxes and state-shared revenues.

The Village's total governmental revenues decreased by approximately \$139,000. In the prior year the Village received large grants from the federal and state governments for the South Main Street streetscape project. Property tax revenues continue to steadily increase; with a 17.8 percent increase as compared to the prior year.

The total cost of governmental activities increased by approximately \$75,300 compared to the prior year. Increases in health care premiums and several substantial street repairs were attributed to the increase.

Business-type Activities

Business-type activities are those that are financed primarily by charges for services or user fees. The Village's business-type activities consist of the Water and Sewer Funds; these types of operations are most similar to private businesses.

Water usage decreased slightly, while sewer usage increased slightly more. Several major sewer system repairs were attributed to the 15.8 percent increase in business-type costs of approximately \$84,000.

The Village's Funds

These funds have been established to manage funds for specific purposes: General Fund which pays for most of the Village's governmental services, Street Funds (including Local Streets, Major Streets, and Street Tax Receiving Funds), Water Fund, and Sewer Fund. The General Fund and Street Funds are supported by local property taxes and state-shared revenue. The Water and Sewer Funds are supported by user fees and occasional appropriations from the General Fund. Debt service in the Sewer Fund is supported by a tax levy.

Budgetary Highlights

Over the course of the year, the Village administration and Village Council monitor the budget, and if necessary, amend the budget to take into account anticipated events that occur during the year. Fund balances related to the Village's governmental funds increased approximately \$29,500. The following provides specific details regarding the amendments:

- While projected General Fund expenditures were increased \$66,300 by amendments, actual total expenditures were less than anticipated. Improvements in the office computer systems accounted for about \$3,000 of the planned increase and urgent repairs to the access bridge at Swain Memorial Park accounted for \$7,000.
- Street Fund budgets were amended to provide for planned increases of \$65,950 primarily in street maintenance. Since much of this work was not completed in this fiscal year, actual budget increases totaled just under \$19,000.
- Water and Sewer Fund budgets were amended to provide for new State MDEQ fees, increased workers compensation costs, training and safety programs and capital improvements.

Capital Asset and Debt Administration

At the end of fiscal year 2005, the Village had \$2,495,510 invested in capital assets (land, buildings, equipment, vehicles, and water and sewer lines). These assets are necessary to carry out the day-to-day operations of the Village.

Economic Factors and Next Year's Budgets and Rates

Uncertainty about the national and state economy in the light of increased energy costs, natural disasters, and continuing loss of jobs in our state inspires caution as the Village manages its financial affairs. State revenues continue to be at their lowest since 1970. During fiscal year 2005 and into 2006, the Village anticipates a significant reduction in state-shared revenues and grants. To date, these revenue reductions have been masked by our growth and increased property values. To ensure sustainability of our operations, the Village is closely monitoring reserve balances, revenues, and expenditures.

The Village has two major projects that will begin early in 2006: the North Main Streetscape and Water System Improvements. The streetscape project is 80% funded by a federal grant and will require approximately \$67,000 in matching local funds. These funds are available in street fund reserves. The water project will be funded by revenue bonds requiring water rate increases for debt service.

Contacting the Village's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Village's finances and to show the Village's accountability for the revenue it receives. If you have any questions about this report or need additional information, we invite you to contact the Brooklyn Village Manager.

VILLAGE OF BROOKLYN
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
Year Ended June 30, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and investments	\$ 447,108	\$ 168,053	\$ 615,161
Receivables	4,507	40,158	44,665
Prepaid expenses	10,240	1,583	11,823
Internal balances	6,906	(6,906)	-0-
Due from other governmental units	55,783	97,126	152,909
Restricted assets	-0-	61,202	61,202
Unamortized bond expense	-0-	38,492	38,492
Capital assets - net	<u>644,168</u>	<u>1,851,342</u>	<u>2,495,510</u>
Total assets	<u>1,168,712</u>	<u>2,251,050</u>	<u>3,419,762</u>
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	32,324	15,407	47,731
Accrued interest	-0-	17,438	17,438
Compensated absences:			
Due in more than one year	7,200	-0-	7,200
Long-term debt:			
Due within one year	-0-	95,000	95,000
Due in more than one year	<u>-0-</u>	<u>1,345,000</u>	<u>1,345,000</u>
Total liabilities	<u>39,524</u>	<u>1,472,845</u>	<u>1,512,369</u>
<u>NET ASSETS</u>			
Invested in capital assets net of related debt	644,168	449,834	1,094,002
Unrestricted	485,020	267,169	752,189
Restricted	<u>-0-</u>	<u>61,202</u>	<u>61,202</u>
Total net assets	<u>\$1,129,188</u>	<u>\$ 778,205</u>	<u>\$1,907,393</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Charges for	Operating	Capital		Governmental	Business-Type	
<u>Expenses</u>	<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>		<u>Activities</u>	<u>Activities</u>	<u>Total</u>
<u>Functions/Programs</u>							
GOVERNMENTAL ACTIVITIES:							
General government	\$ 200,124	\$ 40,951	\$ -0-	\$ -0-	(\$ 159,173)	\$ -0-	(\$ 159,173)
Public Safety	41,971	13,390	-0-	-0-	(28,581)	-0-	(28,581)
Public works	226,784	-0-	-0-	-0-	(226,784)	-0-	(226,784)
Community and economic development	19,493	-0-	-0-	-0-	(19,493)	-0-	(19,493)
Culture and recreation	<u>29,050</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(29,050)</u>	<u>-0-</u>	<u>(29,050)</u>
Total governmental activities	<u>517,422</u>	<u>54,341</u>	<u>-0-</u>	<u>-0-</u>	<u>(463,081)</u>	<u>-0-</u>	<u>(463,081)</u>
BUSINESS-TYPE ACTIVITIES:							
Water	163,042	190,285	-0-	-0-	-0-	27,243	27,243
Sewer	<u>453,428</u>	<u>292,419</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(161,009)</u>	<u>(161,009)</u>
Total business-type activities	<u>616,470</u>	<u>482,704</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(133,766)</u>	<u>(133,766)</u>
Total government	<u>\$1,133,892</u>	<u>\$ 537,045</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	(463,081)	(133,766)	(596,847)
GENERAL REVENUES:							
Property taxes					267,039	89,006	356,045
State-shared revenues					210,837	-0-	210,837
Investment earnings					<u>4,776</u>	<u>3,519</u>	<u>8,295</u>
Total general revenues					<u>482,652</u>	<u>92,525</u>	<u>575,177</u>
CHANGES IN NET ASSETS					19,571	(41,241)	(21,670)
NET ASSETS - BEGINNING OF YEAR					<u>1,109,617</u>	<u>819,446</u>	<u>1,929,063</u>
NET ASSETS - END OF YEAR					<u>\$1,129,188</u>	<u>\$ 778,205</u>	<u>\$1,907,393</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
BALANCE SHEET -
GOVERNMENTAL FUNDS
June 30, 2005

	Major Governmental Funds				Non-Major Governmental Fund	Total Governmental Funds
	General Fund	Major Streets Fund	Local Streets Fund	Street Tax Receiving Fund	Building Fund	
<u>ASSETS</u>						
Cash and investments	\$ 273,158	\$ 8,942	\$ 1,696	\$ 154,068	\$ 9,244	\$ 447,108
Receivables	4,507	-0-	-0-	-0-	-0-	4,507
Prepaid expenses	7,456	1,528	1,256	-0-	-0-	10,240
Due from other funds	223,732	31,593	30,356	-0-	38	285,719
Due from other governments	<u>41,091</u>	<u>11,027</u>	<u>3,664</u>	<u>-0-</u>	<u>-0-</u>	<u>55,782</u>
Total assets	<u>\$ 549,944</u>	<u>\$ 53,090</u>	<u>\$ 36,972</u>	<u>\$ 154,068</u>	<u>\$ 9,282</u>	<u>\$ 803,356</u>
<u>LIABILITIES AND FUND BALANCES</u>						
Liabilities:						
Accounts payable	\$ 11,183	\$ 7,909	\$ 6,562	\$ -0-	\$ 1,615	\$ 27,269
Accrued liabilities	4,669	209	176	-0-	-0-	5,054
Due to other funds	<u>110,197</u>	<u>14,134</u>	<u>13,296</u>	<u>28,441</u>	<u>620</u>	<u>166,688</u>
Total liabilities	<u>126,049</u>	<u>22,252</u>	<u>20,034</u>	<u>28,441</u>	<u>2,235</u>	<u>199,011</u>
Fund balances:						
Unreserved, reported in:						
General fund	423,895	-0-	-0-	-0-	-0-	423,895
Special Revenue funds	<u>-0-</u>	<u>30,838</u>	<u>16,938</u>	<u>125,627</u>	<u>7,047</u>	<u>180,450</u>
Total fund balances	<u>423,895</u>	<u>30,838</u>	<u>16,938</u>	<u>125,627</u>	<u>7,047</u>	<u>604,345</u>
Total liabilities and fund balances	<u>\$ 549,944</u>	<u>\$ 53,090</u>	<u>\$ 36,972</u>	<u>\$ 154,068</u>	<u>\$ 9,282</u>	<u>\$ 803,356</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
RECONCILIATION OF FUND BALANCES ON THE
BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS -
GOVERNMENTAL FUNDS
June 30, 2005

Fund balances - total Governmental funds	\$ 604,345
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	532,043
Compensated absences are not due and payable in the current period and are not reported in the funds	<u>(7,200)</u>
Net assets of governmental activities	<u>\$1,129,188</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	Major Governmental Funds				Non-Major Governmental Fund	Total Governmental Funds
	General Fund	Major Streets Fund	Local Streets Fund	Street Tax Receiving Fund	Building Fund	
REVENUES:						
Property taxes	\$ 149,986	\$ -0-	\$ -0-	\$ 117,052	\$ -0-	\$ 267,038
Intergovernmental	120,008	68,177	22,651	-0-	-0-	210,836
Licenses and permits	9,103	-0-	-0-	-0-	13,390	22,493
Fines and forfeitures	356	-0-	-0-	-0-	-0-	356
Interest, penalties and rents	29,865	530	454	392	27	31,268
Refunds	1,012	-0-	-0-	-0-	-0-	1,012
Miscellaneous	<u>3,779</u>	<u>9</u>	<u>200</u>	<u>-0-</u>	<u>-0-</u>	<u>3,988</u>
Total revenues	<u>314,109</u>	<u>68,716</u>	<u>23,305</u>	<u>117,444</u>	<u>13,417</u>	<u>536,991</u>
EXPENDITURES:						
Current:						
General government	178,889	-0-	-0-	-0-	-0-	178,889
Public safety	30,671	-0-	-0-	-0-	11,300	41,971
Public Works	26,542	108,737	90,586	917	-0-	226,782
Community and economic development	25,932	-0-	-0-	-0-	-0-	25,932
Recreation and culture	<u>33,924</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>33,924</u>
Total expenditures	<u>295,958</u>	<u>108,737</u>	<u>90,586</u>	<u>917</u>	<u>11,300</u>	<u>507,498</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>18,151</u>	<u>(40,021)</u>	<u>(67,281)</u>	<u>116,527</u>	<u>2,117</u>	<u>29,493</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	-0-	40,000	67,000	-0-	-0-	107,000
Transfers (out)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(107,000)</u>	<u>-0-</u>	<u>(107,000)</u>
Total other financing sources (uses)	<u>-0-</u>	<u>40,000</u>	<u>67,000</u>	<u>(107,000)</u>	<u>-0-</u>	<u>-0-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	18,151	(21)	(281)	9,527	2,117	29,493
FUND BALANCES - BEGINNING OF YEAR	<u>405,744</u>	<u>30,859</u>	<u>17,219</u>	<u>116,100</u>	<u>4,930</u>	<u>574,852</u>
FUND BALANCES - END OF YEAR	<u>\$ 423,895</u>	<u>\$ 30,838</u>	<u>\$ 16,938</u>	<u>\$ 125,627</u>	<u>\$ 7,047</u>	<u>\$ 604,345</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
June 30, 2005

Net change in fund balance - total Governmental funds	\$ 29,493
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	23,140
Depreciation on capital assets reported as part of governmental activities	<u>(33,062)</u>
Changes in net assets of governmental activities	<u>\$ 19,571</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
STATEMENT OF NET ASSETS -
PROPRIETARY FUND
June 30, 2005

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Supply System	Sanitary Sewer System	Total	Internal Service Fund
<u>ASSETS</u>				
Cash and cash equivalents	\$ 88,990	\$ 79,063	\$ 168,053	\$ -0-
Receivables:				
Accounts receivable	14,874	25,284	40,158	-0-
Due from County - sewer project	-0-	97,126	97,126	-0-
Prepaid expenses	928	655	1,583	-0-
Due from other funds	27,408	20,802	48,210	-0-
Restricted assets	<u>-0-</u>	<u>61,202</u>	<u>61,202</u>	<u>-0-</u>
Total current assets	<u>132,200</u>	<u>284,132</u>	<u>416,332</u>	<u>-0-</u>
Capital assets - net	651,706	1,199,636	1,851,342	112,125
Unamortized bond expense	<u>-0-</u>	<u>38,492</u>	<u>38,492</u>	<u>-0-</u>
Total noncurrent assets	<u>651,706</u>	<u>1,238,128</u>	<u>1,889,834</u>	<u>112,125</u>
Total assets	<u>\$ 783,906</u>	<u>\$1,522,260</u>	<u>\$2,306,166</u>	<u>\$ 112,125</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Accounts payable	\$ 1,417	\$ 13,990	\$ 15,407	\$ -0-
Accrued expenses	1,198	16,240	17,438	-0-
Current maturities on revenue bonds	10,000	10,000	20,000	-0-
Current maturities on advances from County	-0-	75,000	75,000	-0-
Due to other funds	<u>12,160</u>	<u>42,956</u>	<u>55,116</u>	<u>112,125</u>
Total current liabilities	<u>24,775</u>	<u>158,186</u>	<u>182,961</u>	<u>112,125</u>
Long-term debt:				
Advances from County - sewer project	-0-	1,200,000	1,200,000	-0-
Revenue bonds payable	<u>120,000</u>	<u>25,000</u>	<u>145,000</u>	<u>-0-</u>
Total noncurrent liabilities	<u>120,000</u>	<u>1,225,000</u>	<u>1,345,000</u>	<u>-0-</u>
Total liabilities	<u>144,775</u>	<u>1,383,186</u>	<u>1,527,961</u>	<u>112,125</u>
Net assets:				
Investment in capital assets net of related debt	521,706	(71,872)	449,834	-0-
Unrestricted	117,425	149,744	267,169	-0-
Restricted	<u>-0-</u>	<u>61,202</u>	<u>61,202</u>	<u>-0-</u>
Total net assets	<u>639,131</u>	<u>139,074</u>	<u>778,205</u>	<u>-0-</u>
Total liabilities and net assets	<u>\$ 783,906</u>	<u>\$1,522,260</u>	<u>\$2,306,166</u>	<u>\$ 112,125</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS -
PROPRIETARY FUND
Year Ended June 30, 2005

	Business-Type Activities Enterprise Funds			Governmental Activities
	Water Supply System	Sanitary Sewer System	Total	Internal Service Fund
OPERATING REVENUES:				
Charges for services and penalties	\$ <u>190,285</u>	\$ <u>292,419</u>	\$ <u>482,704</u>	\$ <u>57,873</u>
Total operating revenues	<u>190,285</u>	<u>292,419</u>	<u>482,704</u>	<u>57,873</u>
OPERATING EXPENSES:				
Salaries and wages	43,449	37,805	81,254	-0-
Payroll taxes	3,129	2,650	5,779	-0-
Fringe benefits	19,468	16,757	36,225	-0-
Office supplies	1,181	1,253	2,434	-0-
Operating supplies	1,200	-0-	1,200	-0-
Professional fees	11,089	10,797	21,886	-0-
Communications	605	794	1,399	-0-
Insurance and bonds	2,281	4,054	6,335	-0-
Utilities	12,374	6,776	19,150	-0-
Repairs and maintenance	18,902	54,015	72,917	35,650
Equipment rentals	12,172	9,775	21,947	-0-
Treatment fees	-0-	112,366	112,366	-0-
Transmission fees	-0-	66,015	66,015	-0-
Miscellaneous	430	589	1,019	-0-
Conferences	1,478	289	1,767	-0-
Depreciation	24,337	54,416	78,753	22,223
Amortization	-0-	4,101	4,101	-0-
Refunds	<u>3,589</u>	<u>4,035</u>	<u>7,624</u>	<u>-0-</u>
Total operating expenses	<u>155,684</u>	<u>386,487</u>	<u>542,171</u>	<u>57,873</u>
OPERATING INCOME (LOSS)	<u>34,601</u>	<u>(94,068)</u>	<u>(59,467)</u>	<u>-0-</u>
NON-OPERATING REVENUES (EXPENSES):				
Property taxes	-0-	89,006	89,006	-0-
Interest income	1,006	2,513	3,519	-0-
Interest expense	<u>(7,358)</u>	<u>(66,941)</u>	<u>(74,299)</u>	<u>-0-</u>
Total non-operating revenues (expenses) - net	<u>(6,352)</u>	<u>24,578</u>	<u>18,226</u>	<u>-0-</u>
CHANGES IN NET ASSETS	28,249	(69,490)	(41,241)	-0-
NET ASSETS, BEGINNING OF YEAR	<u>610,882</u>	<u>208,564</u>	<u>819,446</u>	<u>-0-</u>
NET ASSETS, END OF YEAR	\$ <u>639,131</u>	\$ <u>139,074</u>	\$ <u>778,205</u>	\$ <u>-0-</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 191,017	\$ 291,695	\$ 482,712
Payments to employees	(66,452)	(57,518)	(123,970)
Payments to suppliers	(66,994)	(274,236)	(341,230)
Internal activity - Payments to other funds	<u>(5,318)</u>	<u>(425)</u>	<u>(5,743)</u>
Net cash provided (used) by operating activities	<u>52,253</u>	<u>(40,484)</u>	<u>11,769</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Property taxes levied	<u>-0-</u>	<u>89,006</u>	<u>89,006</u>
Net cash provided (used) by non-capital financing activities	<u>-0-</u>	<u>89,006</u>	<u>89,006</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Construction/acquisition of capital assets	(86,626)	-0-	(86,626)
Principal paid on long-term debt	(10,000)	(65,000)	(75,000)
Interest paid on long-term debt	<u>(7,443)</u>	<u>(68,397)</u>	<u>(75,840)</u>
Net cash provided (used) by capital and related financing activities	<u>(104,069)</u>	<u>(133,397)</u>	<u>(237,466)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	<u>1,006</u>	<u>689</u>	<u>1,695</u>
Net cash provided (used) by investing activities	<u>1,006</u>	<u>689</u>	<u>1,695</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(50,810)	(84,186)	(134,996)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>139,800</u>	<u>224,451</u>	<u>364,251</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 88,990</u>	<u>\$ 140,265</u>	<u>\$ 229,255</u>
 STATEMENT OF NET ASSETS CLASSIFICATION OF CASH AND CASH EQUIVALENTS:			
Cash and investments	\$ 88,990	\$ 79,063	\$ 168,053
Restricted assets	<u>-0-</u>	<u>61,202</u>	<u>61,202</u>
Total	<u>\$ 88,990</u>	<u>\$ 140,265</u>	<u>\$ 229,255</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
STATEMENT OF CASH FLOWS (Concluded)
PROPRIETARY FUNDS
Year Ended June 30, 2005

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ 34,601	(\$ 94,068)	(\$ 59,467)
Adjustment to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	24,337	54,416	78,753
Amortization	-0-	4,101	4,101
Changes in assets and liabilities:			
Usage fees receivable	732	(724)	8
Due from other funds	(12,459)	(10,135)	(22,594)
Prepaid expenses	(928)	(655)	(1,583)
Accounts payable and other accrued liabilities	(1,171)	(3,129)	(4,300)
Due to other funds	<u>7,141</u>	<u>9,710</u>	<u>16,851</u>
Net cash provided (used) by operating activities	\$ <u>52,253</u>	(\$ <u>40,484</u>)	\$ <u>11,769</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Brooklyn (the "Village") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Brooklyn.

Reporting Entity

The Village of Brooklyn is governed by an elected eight-member Village Council with a Village Manager appointed by the Council to carry out the policies that it establishes. The accompanying financial statements present the Village's entities for which the Village is considered to be financially accountable. The Village has no component units.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary funds. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Village considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. All revenue items are considered to be available only when cash is received by the Village.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Village reports the following major governmental funds:

General Fund - The General Fund is the Village's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Major Street Fund - The Major Street Fund is used to account for state-shared revenues received for the purpose of construction and maintenance of the Village's major roads.

Local Street Fund - The Local Street Fund is used to account for state-shared revenues received for the purpose of construction and maintenance of the Village's local streets.

Street Tax Receiving Fund - The Street Tax Receiving Fund is used to account for property taxes received under a specially assessed millage.

The Village reports the following major proprietary funds:

Water Fund - The Water Fund is used to account for the results of operations for providing water service to the citizens and businesses of the Village. The fund's primary revenues are generated through user charges from those requesting water service.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Sewer Fund - The Sewer Fund is used to account for the results of operations for providing sewer service to the citizens and businesses of the Village. The primary revenues are generated through user charges from those requesting sewer service and taxes received under a specially assessed millage.

Additionally, the Village reports the following fund types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Internal Service Fund - The Internal Service Fund accounts for fleet and equipment management to other departments of the government on a cost reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water enterprise funds and of the government's internal service fund are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Property Tax Revenue

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time they are added to the county tax rolls.

The Village's 2004 tax is levied and collectible on December 1, 2004, and is recognized as revenue in the year ended June 30, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2004 taxable valuation of the Village totaled \$31,087,179 on which ad valorem taxes levied consisted of 4.8114 mills for operating purposes, 3.7662 mills for streets and 2.8868 mills for sanitary sewer debt. This resulted in \$148,219 for operating, \$115,638 for streets, and \$88,201 for sanitary sewers fund. These amounts are recognized in the General Fund and Raised Streets Sewer Fund financial statements as tax revenue (net of reductions for delinquent amounts and prior year tax tribunal changes).

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Capital Assets - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB No. 34 requires the Village to report and depreciate new infrastructure assets effective with the beginning of the prior year. Infrastructure assets include roads, bridges, traffic signals, etc. The Village has elected not to report major general infrastructure assets retroactively.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Water and sewer transportation lines	40 years
Streets	40 years
Sidewalks and land improvements	20 to 25 years
Furnishings, vehicles and equipment	3 to 10 years

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are considered to be fully collectible.

Compensated Absences - It is the policy to permit eligible employees to accumulate earned but unused sick pay benefits. Sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Assets or Equity (Continued)

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end. Before June 1, the proposed budget is submitted to the Village Council for review. Public hearings are held, and a final budget is adopted no later than June 30. The Village Council must approve any budget amendments.

The appropriated budget is prepared by fund, activity, and line items. The legal level of budgetary control is the activity level.

The government does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2005, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Community and economic development	\$ 24,500	\$ 25,932	(\$ 1,432)
Street Tax Receiving Fund:			
Public Works	750	917	(167)

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

3. CASH AND INVESTMENTS

At year end, the Village's cash and investments were reported in the basic financial statements under the heading of cash and investments, and restricted assets as follows:

Governmental activities	\$ 447,108
Business-type activities	<u>168,053</u>
Total government	<u>\$ 615,161</u>

Cash and investments as of June 30, 2005, consist of the following:

Cash on hand	\$ 20
Deposits with financial institutions	436,182
Investments	<u>240,161</u>
Total cash and investments	<u>\$ 676,363</u>

At year end the Village's investment balances were as follows:

Investment Type

	<u>Fair Market Value</u>
Nonrisk-Categorized:	
Bank investment -	
Comerica Government Pooled Fund	\$ 79,305
Government Trust	
Centennial Government Trust	
Money Market	<u>160,856</u>
Total Investments	<u>\$ 240,161</u>

Michigan Compiled Laws Section 129.91 and the Village's investment policy, authorizes the Village to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classification which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

3. CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. The Village does not have a deposit policy for custodial credit risk.

As of June 30, 2005, \$346,952 of the Village's deposits with financial institutions in excess of federal depository insurance limits were held in uncollateralized accounts.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Village's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: Michigan law (MCL 129.33) requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law. The market value of the pledged securities in the collateral pool must equal at least 100% of the total amount deposited by the public agencies. For credit risk purposes, the Village's investments in pooled funds and money market funds does not have a rating provided by a nationally recognized statistical rating organization.

4. RESTRICTED ASSETS

Restricted assets at June 30, 2005, consist of cash totaling \$61,202. The assets are restricted for the purposes of servicing debt. Net assets have been reserved for an amount equal to the restricted assets.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

5. CAPITAL ASSETS

Capital asset activity of the Village's governmental activities and business-type activities was as follows:

	Balance <u>July 1, 2004</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>June 30, 2005</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ <u>28,900</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>28,900</u>
Capital assets being depreciated:				
Buildings and improvements	115,175	-0-	-0-	115,175
Improvements other than buildings	461,442	15,727	-0-	477,169
Furnishings, vehicles, and equipment	<u>375,218</u>	<u>105,479</u>	<u>60,363</u>	<u>420,334</u>
Total capital assets being depreciated	<u>951,835</u>	<u>121,206</u>	<u>60,363</u>	<u>1,012,678</u>
Less: accumulated depreciation:				
Buildings and improvements	60,727	1,792	-0-	62,519
Improvements other than buildings	24,681	23,054	-0-	47,735
Furnishings, vehicles, and equipment	<u>265,340</u>	<u>30,439</u>	<u>8,623</u>	<u>287,156</u>
Total accumulated depreciation	<u>350,748</u>	<u>55,285</u>	<u>8,623</u>	<u>397,410</u>
Total capital assets being depreciated - net	<u>601,087</u>	<u>65,921</u>	<u>51,740</u>	<u>615,268</u>
Total capital assets - net	\$ <u>629,987</u>	\$ <u>65,921</u>	\$ <u>51,740</u>	\$ <u>644,168</u>

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

5. CAPITAL ASSETS (Continued)

	Balance <u>July 1, 2004</u>	<u>Additions</u>	Disposals and <u>Adjustments</u>	Balance <u>June 30, 2005</u>
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 36,000	\$ -0-	\$ -0-	\$ 36,000
Construction in progress	<u>-0-</u>	<u>15,865</u>	<u>-0-</u>	<u>15,865</u>
Total capital assets not being depreciated	<u>36,000</u>	<u>15,865</u>	<u>-0-</u>	<u>51,865</u>
Capital assets being depreciated:				
Buildings and improvements	500,136	-0-	-0-	500,136
Water and sewer transportation lines	2,626,342	70,761	-0-	2,697,103
Equipment	<u>25,169</u>	<u>-0-</u>	<u>-0-</u>	<u>25,169</u>
Total capital assets being depreciated	<u>3,151,647</u>	<u>70,761</u>	<u>-0-</u>	<u>3,222,408</u>
Less: accumulated depreciation:				
Buildings and improvements	200,507	14,261	-0-	214,768
Water and sewer transportation lines	1,121,433	63,608	-0-	1,185,041
Equipment	<u>22,238</u>	<u>884</u>	<u>-0-</u>	<u>23,122</u>
Total accumulated depreciation	<u>1,344,178</u>	<u>78,753</u>	<u>-0-</u>	<u>1,422,931</u>
Total capital assets being depreciated - net	<u>1,807,469</u>	<u>(7,992)</u>	<u>-0-</u>	<u>1,799,477</u>
Total capital assets - net	<u>\$1,843,469</u>	<u>\$ 7,873</u>	<u>\$ -0-</u>	<u>\$1,851,342</u>

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

5. CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 28,648
Culture and recreation	4,414
Capital assets held by government's internal service fund are charged to the various functions based on their usage of the assets	<u>22,223</u>
Total governmental activities	<u>\$ 55,285</u>
Business-type activities:	
Water Fund	\$ 24,337
Sewer Fund	<u>54,416</u>
Total business-type activities	<u>\$ 78,753</u>

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Individual fund interfund receivable and payable balances as of June 30, 2005, are as follows:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 223,732	\$ 110,197
Building Department Fund	38	620
Major Street Fund	31,593	14,134
Local Street Fund	30,356	13,296
Street Tax Receiving Fund	-0-	28,441
Internal Service Fund	-0-	112,125
Water Fund	27,408	12,160
Sewer Fund	<u>20,802</u>	<u>42,956</u>
Total	<u>\$ 333,929</u>	<u>\$ 333,929</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions recorded in the accounting system, and payments between funds are made.

Interfund transfers:

Fund transferred from:	Fund transferee to:	
Street Tax Receiving Fund	Major Street Fund	\$ 40,000
Street Tax Receiving Fund	Local Streets Fund	<u>67,000</u>
		<u>\$ 107,000</u>

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

The transfers from the Street Tax Receiving Fund to the Major and Local Streets Funds represent property taxes received in the Street Tax Receiving Fund and transferred to the benefiting funds as needed.

7. LONG-TERM DEBT

The Village issues bonds to provide for the construction of major capital assets. County contractual agreements are general obligations of the Village.

Advances from County - for sewer project in annual installments at 4.25% to 7.25% interest. Interest payable March and September, principal payable in September.	\$1,275,000
Revenue bonds - Sanitary Sewer System, due in annual installments at 4.736% interest. Interest payable May and November, principal payable in November.	35,000
Revenue bonds - Water Supply System, due in annual installments at 5.503% interest. Interest payable May and November, principal payable in November.	<u>130,000</u>
Total business-type activities	<u>\$1,440,000</u>

Bond and contractual obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:				
County contractual obligation:				
1996 Village sewer line extension	\$1,325,000	(\$ 50,000)	\$1,275,000	\$ 75,000
Revenue bonds:				
1986 sewer extension bond	50,000	(15,000)	35,000	10,000
1988 water extension bond	<u>140,000</u>	<u>(10,000)</u>	<u>130,000</u>	<u>10,000</u>
Total business-type activities	<u>\$1,515,000</u>	<u>(\$ 75,000)</u>	<u>\$1,440,000</u>	<u>\$ 95,000</u>

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

7. LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End June 30</u>	<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2006	\$ 95,000	\$ 70,326	\$ 165,326
2007	105,000	64,256	169,256
2008	100,000	58,961	158,961
2009	90,000	54,124	144,124
2010	115,000	48,939	163,939
2011 - 2015	635,000	150,085	785,085
2016 - 2017	<u>300,000</u>	<u>13,313</u>	<u>313,313</u>
Total	<u>\$1,440,000</u>	<u>\$ 460,004</u>	<u>\$1,900,004</u>

8. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters as well as medical benefits provided to employees. The Village has purchased commercial insurance for medical claims and participates in the Michigan Municipal League Workers' Compensation for claims relating to workers' compensation and the Michigan Municipal Risk Management Authority for general liability claims.

The Michigan Municipal Risk Management Authority (the "Authority") operates as a claims-servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority to pay claims up to the retention limits, the ultimate liability for those claims remains with the Village.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

9. DEFINED BENEFIT PENSION PLAN (MICHIGAN MUNICIPAL EMPLOYEE'S RETIREMENT SYSTEM)

Plan Description

The Village participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the Village. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The Village is required to contribute at an actuarially determined rate; the current rate is 8.61% of annual covered payroll. Village employees are required to contribute 3 percent of the first \$4,200 of annual compensation and 5 percent of portions over \$4,200. The contribution requirements of the Village are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the Village, depending on the MERS contribution program adopted by the Village.

Annual Pension Costs

For year ended 2005, the Village's annual pension cost of \$13,657 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Significant actuarial assumptions used include (i) 8 percent investment rate of return; (ii) projected salary increases of 4.5 percent per year based upon an age related scale to reflect merit longevity, and promotional salary increases. The actuarial value of assets is determined on the basis of a method that calculates expected investment income at the valuation rate of return and adds a portion of the difference between the expected investment income and actual investment income earned on a market value basis. The unfunded actuarial liability is being amortized as a level percent of payroll on an open basis. The remaining amortization period is 30 years.

Trend Information for The Village of Brooklyn

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/02	\$ 9,577	100%	\$ -0-
6/30/03	\$ 10,395	100%	\$ -0-
6/30/04	\$ 11,857	100%	\$ -0-
6/30/05	\$ 13,657	100%	\$ -0-

VILLAGE OF BROOKLYN
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

9. DEFINED BENEFIT PENSION PLAN (MICHIGAN MUNICIPAL EMPLOYEE'S RETIREMENT SYSTEM) (Continued)

Schedule of Funding Progress for the Village of Brooklyn

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as of % of Covered Payroll ((b-a)/c)
12/31/00	\$ 602,086	\$ 664,447	\$ 62,361	90.6	\$ 144,446	43.2%
12/31/01	\$ 645,242	\$ 689,077	\$ 43,835	93.6	\$ 145,364	30.2%
12/31/02	\$ 665,026	\$ 736,343	\$ 71,317	90.3	\$ 150,058	47.5%
12/31/03	\$ 717,011	\$ 829,348	\$ 112,337	86.5	\$ 168,245	66.8%
12/31/04	\$ 761,236	\$ 926,605	\$ 165,369	82.2	\$ 162,546	101.7%

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF BROOKLYN
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended June 30, 2005

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance With Amended <u>Budget</u>
REVENUES:				
Property taxes	\$ 154,000	\$ 154,000	\$ 149,986	(\$ 4,014)
Intergovernmental	116,000	116,000	120,008	4,008
Licenses and permits	8,000	8,000	9,103	1,103
Fines and forfeitures	500	500	356	(144)
Interest, penalties and rents	66,100	66,100	29,865	(36,235)
Refunds	1,000	1,000	1,012	12
Contributions from individuals	500	500	-0-	(500)
Miscellaneous	<u>12,000</u>	<u>12,000</u>	<u>3,779</u>	<u>(8,221)</u>
Total revenues	<u>358,100</u>	<u>358,100</u>	<u>314,109</u>	<u>(43,991)</u>
EXPENDITURES:				
Current:				
General government	275,450	319,750	178,889	140,861
Public Safety	33,800	33,800	30,671	3,129
Public Works	52,000	56,000	26,542	29,458
Community and economic development	17,500	24,500	25,932	(1,432)
Recreation and culture	27,000	38,000	33,924	4,076
Other	<u>10,500</u>	<u>10,500</u>	<u>-0-</u>	<u>10,500</u>
Total expenditures	<u>416,250</u>	<u>482,550</u>	<u>295,958</u>	<u>186,592</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(58,150)</u>	<u>(124,450)</u>	<u>18,151</u>	<u>142,601</u>
OTHER FINANCING SOURCES (USES):				
Transfers (out)	<u>(1,000)</u>	<u>(1,000)</u>	<u>-0-</u>	<u>1,000</u>
Total other financing sources (uses)	<u>(1,000)</u>	<u>(1,000)</u>	<u>-0-</u>	<u>1,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(59,150)	(125,450)	18,151	143,601
FUND BALANCE - BEGINNING OF YEAR	<u>405,744</u>	<u>405,744</u>	<u>405,744</u>	<u>-0-</u>
FUND BALANCE - END OF YEAR	<u>\$ 346,594</u>	<u>\$ 280,294</u>	<u>\$ 423,895</u>	<u>\$ 143,601</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND
Year Ended June 30, 2005

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance With Amended <u>Budget</u>
REVENUES:				
Intergovernmental	\$ 50,000	\$ 50,000	\$ 68,177	\$ 18,177
Interest	500	500	530	30
Miscellaneous	<u>-0-</u>	<u>-0-</u>	<u>9</u>	<u>9</u>
Total revenues	<u>50,500</u>	<u>50,500</u>	<u>68,716</u>	<u>18,216</u>
EXPENDITURES:				
Current:				
Public Works	<u>92,300</u>	<u>128,350</u>	<u>108,737</u>	<u>19,613</u>
Total expenditures	<u>92,300</u>	<u>128,350</u>	<u>108,737</u>	<u>19,613</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(41,800)</u>	<u>(77,850)</u>	<u>(40,021)</u>	<u>37,829</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>70,000</u>	<u>80,000</u>	<u>40,000</u>	<u>(40,000)</u>
Total other financing sources (uses)	<u>70,000</u>	<u>80,000</u>	<u>40,000</u>	<u>(40,000)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	28,200	2,150	(21)	(2,171)
FUND BALANCE - BEGINNING OF YEAR	<u>30,859</u>	<u>30,859</u>	<u>30,859</u>	<u>-0-</u>
FUND BALANCE - END OF YEAR	<u>\$ 59,059</u>	<u>\$ 33,009</u>	<u>\$ 30,838</u>	<u>(\$ 2,171)</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - LOCAL STREET FUND
Year Ended June 30, 2005

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance With Amended <u>Budget</u>
REVENUES:				
Intergovernmental	\$ 35,000	\$ 35,000	\$ 22,651	(\$ 12,349)
Interest	200	200	454	254
Miscellaneous	<u>400</u>	<u>400</u>	<u>200</u>	<u>(200)</u>
Total revenues	<u>35,600</u>	<u>35,600</u>	<u>23,305</u>	<u>(12,295)</u>
EXPENDITURES:				
Current:				
Public Works	<u>88,100</u>	<u>118,000</u>	<u>90,586</u>	<u>27,414</u>
Total expenditures	<u>88,100</u>	<u>118,000</u>	<u>90,586</u>	<u>27,414</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(52,500)</u>	<u>(82,400)</u>	<u>(67,281)</u>	<u>15,119</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	<u>60,000</u>	<u>80,000</u>	<u>67,000</u>	<u>(13,000)</u>
Total other financing sources (uses)	<u>60,000</u>	<u>80,000</u>	<u>67,000</u>	<u>(13,000)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	7,500	(2,400)	(281)	2,119
FUND BALANCE - BEGINNING OF YEAR	<u>17,219</u>	<u>17,219</u>	<u>17,219</u>	<u>-0-</u>
FUND BALANCE - END OF YEAR	<u>\$ 24,719</u>	<u>\$ 14,819</u>	<u>\$ 16,938</u>	<u>\$ 2,119</u>

See accompanying notes to financial statements.

VILLAGE OF BROOKLYN
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - STREET TAX RECEIVING FUND
Year Ended June 30, 2005

	Original <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance With Amended <u>Budget</u>
REVENUES:				
Property taxes	\$ 117,900	\$ 117,900	\$ 117,052	(\$ 848)
Interest	<u>500</u>	<u>500</u>	<u>392</u>	<u>(108)</u>
Total revenues	<u>118,400</u>	<u>118,400</u>	<u>117,444</u>	<u>(956)</u>
EXPENDITURES:				
Current:				
Public Works	<u>-0-</u>	<u>750</u>	<u>917</u>	<u>(167)</u>
Total expenditures	<u>-0-</u>	<u>750</u>	<u>917</u>	<u>(167)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>118,400</u>	<u>117,650</u>	<u>116,527</u>	<u>(1,123)</u>
OTHER FINANCING SOURCES (USES):				
Transfers (out)	<u>(130,000)</u>	<u>(160,000)</u>	<u>(107,000)</u>	<u>53,000</u>
Total other financing sources (uses)	<u>(130,000)</u>	<u>(160,000)</u>	<u>(107,000)</u>	<u>53,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(11,600)	(42,350)	9,527	51,877
FUND BALANCE - BEGINNING OF YEAR	<u>116,100</u>	<u>116,100</u>	<u>116,100</u>	<u>-0-</u>
FUND BALANCE - END OF YEAR	\$ <u>104,500</u>	\$ <u>73,750</u>	\$ <u>125,627</u>	\$ <u>51,877</u>

See accompanying notes to financial statements.

Dove & Hickey, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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MEMBERS:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

GEORGE DOVE, C.P.A.
PAUL T. HICKEY, C.P.A.
NANNETTE M. SPONSLER, C.P.A.
ALLISON I. COLE, C.P.A.

September 21, 2005

Village Council
Village of Brooklyn
PO Box 96
Brooklyn, Michigan 49230-0096

Council Members:

In planning and performing our audit of the financial statements of the Village of Brooklyn for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 21, 2005, on the financial statements of the Village. We will review the status of these comments during our next audit engagement. Our comments and recommendations, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Journal Entry Approval

As noted during the audit last year, journal entries entered by an employee are not reviewed by management. We again suggest that the Village Manager review and authorize non-standard journal entries.

Building Permits

We suggest that the Village use pre-numbered building permits. This would help to insure that all permits are accounted for and recognized.

Enterprise Fund Receivables

We noted last year, and again feel we should comment this year, that the Village should establish procedures to ensure that enterprise fund receivables for usage are reconciled no less than monthly to the respective subsidiary ledgers.

Budgets

P.A. 621 of 1978, as amended, provides that a local government unit shall not incur expenditures in excess of the amount appropriated. The Village incurred expenditures in excess of the amount appropriated in two activities. The Village should amend the budget before this occurs.

Other Items

During the audit we noted that several old property refunds have not been paid. The original refunds were made years ago, but several of the checks were never cashed. These old checks were properly voided, but new checks should be reissued or the money escheated to the State of Michigan.

We believe that implementation of these recommendations will provide the Village with a stronger system of internal accounting control while also making its operations more efficient. We will be happy to discuss the details of these recommendations with you and assist in any way possible with their implementation. This report is intended solely for the information and use of the Council, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully yours,

Dove & Hickey, P.C.